

Emerging Multinational Entering Emerging Market: The Transnational Strategy of Xiaomi in the Indian Smart Phone Market*

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This study explores the strategic dimensions of emerging multinational in the emerging markets by shedding light on the case of China's Xiaomi entering Indian smart phone market. The main research question is how emerging multinationals are different in overseas expansion to emerging markets and if their limited resources and capabilities cultivate any particular strategic differences when they horizontally expand to other emerging markets. The findings of this study reveal that the case of Xiaomi in India is confirming previous theories by proving propositions related to alliance, local optimization, institutional entrepreneurial ability, and glocalization theses. This study implies strategic direction for the future of emerging MNEs in emerging markets as Xiaomi achieved local responsiveness without compensating efficiency by utilizing knowledge acquired in the course of transnational strategy.

Key Words: Xiaomi, India, Emerging Multinational, Emerging Market, Globalization, Localization, Transnational strategy

1. Introduction

When Xiaomi released its first smart phone, Mi1, in 2011, the press severely criticized it as 'fake Apple'. Within less than a decade, however, it is now standing tall among other global smart phone manufacturers. Based on its success in the Chinese market, Xiaomi has entered the new markets in Singapore, Indonesia, Brazil and some African countries and has intervened the India's rapidly growing smart phone market since 2014.

Xiaomi entering India may be considered as one of the particular instances of emerging multinationals (hereafter emerging MNEs) in the emerging markets. New multinationals from emerging countries based on their steadily growing domestic market have started to enter the global markets by featuring technological competitiveness and appeared as the competitors of established MNEs from developed countries. Since between 2001 and 2010, the emerging economies had recorded high economic growth by growing up to 5.8%. Together with this, the number of emerging MNEs oc-

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cupied at the 500 companies had increase from the 49 companies to 145 companies that is 31.2% increase in the same year (Fortune, 2014). When financial crisis hit the global economy in 2008, the FDI had decreased by 13%, while the emerging MNEs' FDI had increased up by 3%. In particular, China's FDI recorded USD 59.9 billion and increased by 111% compared to the previous year (UNCTAD 2013). Those emerging MNEs have become the biggest competitor to the established MNEs within and out of their profit sanctuaries.

The main research question is how emerging MNEs are different in overseas expansion to emerging markets and if their limited resources and capabilities cultivate any particular strategic differences when they horizontally expand to other emerging markets. The research question may be answered by considering the case of Xiaomi's expansion to Indian market with particular reference to the localization of production and marketing practices in India as efficiency and price competitiveness, as the source of competitiveness of this firm, has been pursued at the same time.

This study firstly revises previous literature and theories related to emerging MNEs and their entry to emerging markets. Integration-responsive model is adopted as theoretical frame and research propositions are suggested at the end of relevant theories. The second part of the study is devoted to the case analysis. Xiaomi's current business activities and the background of its expansion to India and its strategy in India in various business areas

including production from the perspective of transnational strategy is analysed. Finally, discussion and implications are followed to provide further theoretical and practical understanding that will naturally lead to the conclusion.

II. Literature Review

2.1 Emerging Multinationals from Emerging Economies

Emerging MNEs have emerged in newly industrializing countries such as Brazil, Russia, India, and China (Yeung, 1994; Luo and Tung, 2007). The importance of BRICs in the world economy are ever increasing and predicted to be over 50% of global production by 2050. Accordingly, globalization of multinationals from emerging economies drew particular attention as many firms actively expand their business practices across their national borders and exert global influences by instituting technical standards beyond just following given standards and rules (Jung and Pyo, 2013).

Emerging MNEs are basically specified as the companies that export products based on location specific advantages like government protection, abundant natural resources or the low-cost labor (Guillén and Garcia-Canal, 2009; Hoskisson et al., 2013). In the 1980s, a number of studies had made to identify out-

ward expansion by new multinationals (Wells, 1983; Lall, 1983; Lecraw, 1977) suggesting that they share some common characteristics in basic strength such as cost advantage, and weaknesses like limited knowledge and experience in overseas markets. As these suggestions seem valid to this time, it is also obvious that emerging multinationals are not following traditional beliefs as they are less path dependent and more risk-taking (Luo and Tung, 2007).

Existing MNE theories explaining the overseas expansion via outward FDI such as eclectic paradigm (Dunning, 2001), and the leapfrog effect with evolutionary process theories (Johanson and Vahlne, 1977), late development, and latecomer advantage (Dore, 1990, Buckley and Casson, 1981) as central theories are useful applications to the emerging MNEs. Inherited limitations in home country such as licensing systems, quota allocations, and export restrictions were suggested as factors agitated emerging MNEs to expand to overseas markets to spread macro economic risks and political volatility at home country (Wells, 1983; Lecraw, 1977).

Mathews (2006) suggested LLL-framework proposing that international expansion of emerging country multinationals is driven by resource linkage, leverage and learning. In his framework, firstly, emerging MNEs tend to show outward orientation seeking advantages outside the domestic markets due to the constraints and limitations in strategic resources. The established MNEs were able

to open up foreign markets through foreign direct investment by using proprietary resources formed from home. In contrast, emerging MNEs are considered to have less tangible assets bring liabilities of competitive disadvantage in addition to the liability of foreignness (Lall, 1983). In order to reduce the risks stemming from these inherited limitations, emerging MNEs form the international networks by establishing collaborative strategic partnerships to link up proprietary resources (Mathews, 2006). This requirement of linkage naturally leads to the mode of entry that used by emerging MNEs were to build collaborative partnership by JVs, alliances or acquisitions.

Secondly, this unique capabilities of linking external networks to acquire necessary strategic resources enable emerging MNEs to take advantages and leverage in the international network of activities by sharing knowledge (Mathews, 2006). Together with ability to improve, managerial skill for organizational combination were also found to be distinctive characteristics that provides competitive edges when they attempt to acquire necessary capabilities by establishing collaborative networks (Kale et al., 2000). Their competitive advantages were also considered to be the growing bargaining power stemming from the size of home market and stronger position in it that enabled to successfully upgrade their capabilities by means of joint ventures, acquisitions, and alliances with other leading companies having brands and technology (Bonaglia et al., 2007; Hennart, 2012).

Thirdly, learning as subsequent organizational process of linkage and leverage in the interlinked structure of global networks tends to accelerate expansion patterns (Mathews, 2006). Buckley and Hashal (2014) also noticed the accelerated pace of internationalization compared to established MNEs. Many scholars pointed out capabilities of emerging MNEs that they have ability to adapt to new technology with advantages from cheap labor, imperfect input market as they can quickly borrow technology and efficiently apply to operations (Ferrantino, 1992; Guillén, 2005; Ramamurti and Singh, 2009).

Some others also suggested that push factors like currency appreciation, rising labor shortages, escalating operating costs, and saturated domestic markets as important globalization motive of the emerging MNEs (Wells, 1983; Kumar and Kim, 1984; Deng, 2004) but pull factors to secure important production factor, acquisition of advanced technology, management skills and customer's access path were also found to be valid motivations (Lou and Tung, 2007; Andreff, 2002). This is based on the fact that the expansion of emerging MNEs are to both developed and developing countries as they attempt to balance the needs of catching up of required capabilities in developed markets and growth and profit in the developing markets (Buckley et al., 2014; Rui and Yip, 2008; Johanson and Vahlne, 1977).

Proposition 1. *Due to limitations of strategic resources, emerging MNEs may seek al-*

liances to establish collaborative partnerships that would provide advantageous position and accelerate expansion patterns.

2.2 Emerging Multinationals to Emerging Economies

Based on the capabilities to improve and managerial skills, emerging MNEs had developed the technical competency to catch up established MNEs' competitiveness for the foreign manufacture activity at the advanced markets (Mathews, 2006). Also based on competitiveness at their home market, they had created profits, manufacturing experience, and market expansion at developing and at less developed countries (Ramamurti and Singh, 2009).

Market seeking motive of emerging MNEs gives opportunity to avoid economic risks by spreading revenue sources to multiple countries (Gammeltoft et al., 2001; Lou and Tung, 2007; Yoo and Kim, 2016). Emerging MNEs seeks strategic assets by entering developed markets. However, their strategic approaches were not limited to developed markets as they actively seek other emerging markets beyond their limited or saturated home markets (Guillén and Garcia-Canal, 2009; Peng, 2012; Kim and Lee, 2013).

When emerging MNEs enter emerging markets, they may easily adapt to compared to established counterparts, because it had a similar business environment and experience at their home markets (Manasserian et al., 2007;

Kim and Lee, 2013). The home grown competitive advantages are readily available to use in other emerging or developing countries as they can be considered as 'local optimizer' (Garcia-Canal and Guillén, 2008; Ramamurti and Singh, 2009). emerging MNEs' capabilities for mass production through OEM arrangement and low-cost position may be best exploited in these locations (Luo and Tung, 2007).

Proposition 2. *As a 'Local Optimizer', the home grown mass production through OEM arrangement and low-cost position of emerging MNEs may be readily available and best exploited in local markets.*

From the political-economy point of view, emerging MNEs are used to deal with discretionary, unstable home country political regime with weak institutional environment (Cuervo-Cazurra, 2012; Hermelo and Vassolo, 2010). Their 'institutional entrepreneurial ability' is usually better than established MNEs in other developing countries as most of them were forced to operate in heavily regulated environment and experienced rapid deregulation (Garcia-Canal and Guillén, 2008; Goldstein, 2007; Ramamurti and Singh, 2009). It is therefore critical capability to have previous political, economic, and business experiences under the similar national context when they expand to other developing countries. This seems to endow opportunity to overcome the limitations of tangible assets and proprietary

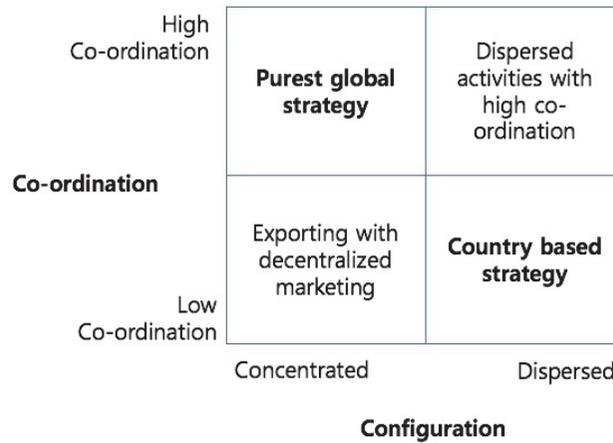
resources.

Proposition 3. *'The institutional entrepreneurial ability' of emerging MNEs based on operational experiences under discretionary political regime with weak institutional environment in home country would be better than established MNEs in emerging markets.*

2.3 Global and Transnational strategy

As firms internationalize, they experience different environment with domestic business in terms of scale, scope of operations, the number of alternatives, greater complexities, cultural differences, and various national economic and factor differences (Stonehouse et al., 2004). It is therefore highly important to develop effective strategies and strategies to compete at the global level should be different from those in domestic market. Porter (1986, 1990) suggested global generic strategies and the possibilities for global configuration and co-ordination of value adding activities. The question of configuration answers whether a firm disperse or concentrate value adding activities and co-ordination involves sharing information, allocating responsibility, and aligning efforts (Porter 1990). Figure 1 shows strategic alternatives that vary from country-based widely dispersed activities to highly concentrated purest global strategy.

Prahalad and Doz (1986) concluded the major characteristics of global management that are similar to the suggestion of Porter (1986,



Source: Porter (1990)

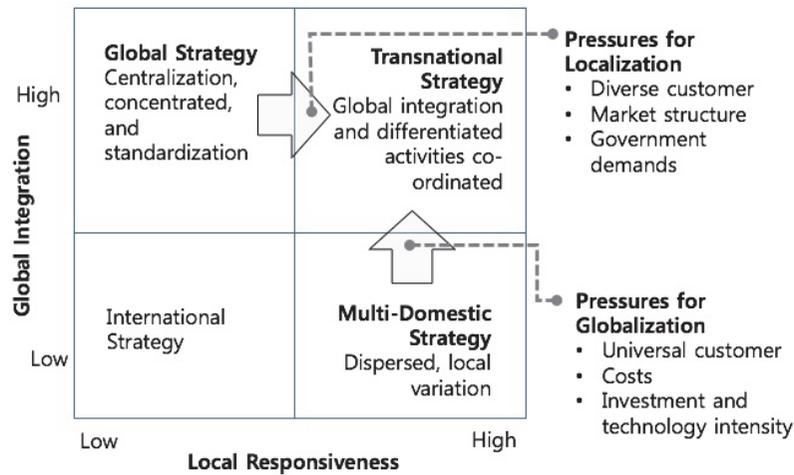
<Figure 1> Configuration and co-ordination for international strategy

1990). They introduced the concept of global integration, local responsiveness and global strategic co-ordination that are dependent on the ability of firms to co-ordinate and integrate global business activities as it maintains responsiveness to the local demands at the same time (Prahalad and Doz, 1986). These necessities are due to the pending multiple pressures from multinational competition, investment and technology intensity, universal yet different consumer needs, cost reduction, different market structure, and various host government demands.

As Levitt (1983) argued, global markets seem to rather homogenous and global strategy ought to be standardized. However, an industry may be more or less global in certain aspects and requires the development of more complex strategies to reflect this (Yip, 1992). The fundamental ideas of Porter (1990), Prahalad and Doz (1986) were further devel-

oped by Bartlett and Ghoshal (1988, 1989) suggesting that multiple strategic capabilities or 'transnational capability' of business to adapt local and global needs may be achieved by combining the benefits of global scope, configuration and co-ordination together with local responsiveness (Figure 2).

The proposition of this study is based on the framework of transnational strategy connecting to the expansion of emerging MNEs to the emerging markets that neither pure global strategy nor localization strategy would be used. The limitations of emerging MNEs are to be compensated by particular strategic initiatives to match up with established MNEs and this study argues that the transnational strategy pursuing localization and global efficiency at the same time may provide specific competitiveness together with similar experience of emerging MNEs at their home markets, readily available at the emerging markets.



Source: Bartlett and Ghosal (1989), edited by the author.

〈Figure 2〉 Transnational Strategy: Integration-Responsiveness Model

Proposition 4. *The localization effort would not compensate the efficiency of emerging MNEs as they would attempt to combine the benefit of global scope, configuration and co-ordination with local responsiveness to achieve adaptability to local market and global efficiency simultaneously.*

III. Case Analysis

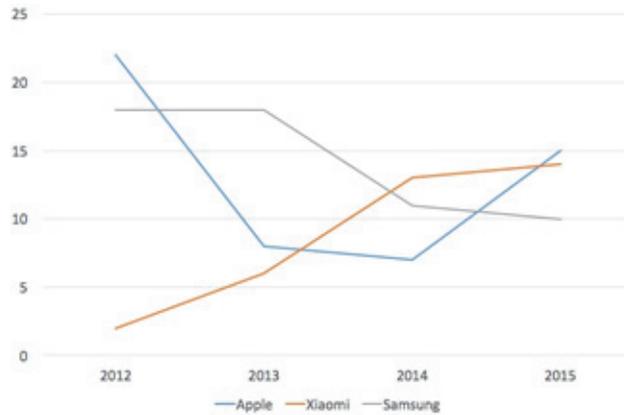
3.1 Xiaomi and Indian Smart Phone Market

Xiaomi recorded as the third largest vendor in the global smart phone market by 2014 as it had taken 5.3% of market share following to Samsung and Apple took 23% and 12% respectively. In China, Xiaomi overtook Samsung and Apple by the end of 2015 and also showed

its competitiveness against other domestic opponents such as Huawei, and Vivo.

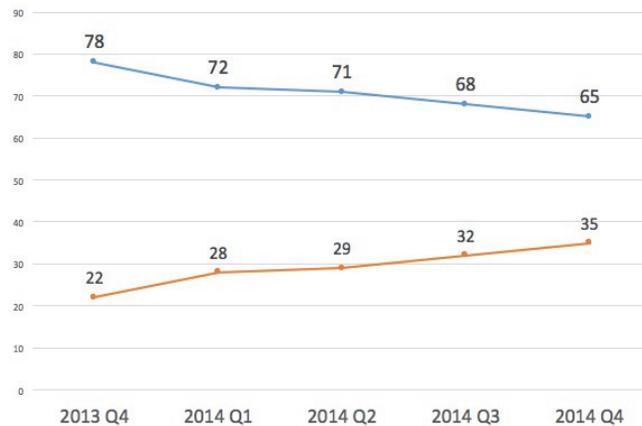
Since July 2014, Xiaomi has started selling smart phone in India and Indian market became the second largest for Xiaomi by 2016. The Indian smart phone market was sixth largest by 2015 and is expected to grow to the second largest by 2019 selling 225 million smart phones.

The growth potential of the India's smart phone market had been low since 70% of population used feature phones, but based on data of 2014, India had risen as one of important locations for production and consumption of smart phones. The low-cost products with price less than 190 dollars has occupied 77% of the market and transition to the smart phone by users are obvious (Figure 4). Xiaomi's share in smart phone in India showed 4% by 2014 following to Samsung and local competitors



Source: IDC, The wall street journal

〈Figure 3〉 Smart phone market share in China 2015



Source: IDC Asia Pacific Quarterly Mobile Phone Tracker 2014.

〈Figure 4〉 Market share in India: smart phone vs. feature phone

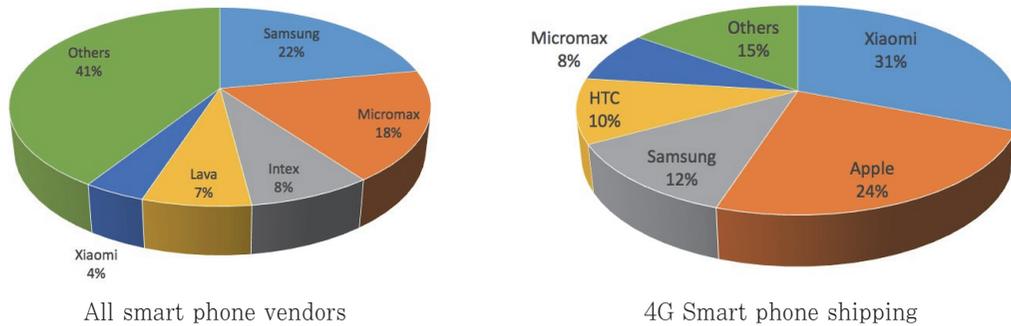
such as Micromax and Intex. However, the Figure 5 shows different picture when it comes to 4G LTE devices. Total Xiaomi shipments of 4G smart phones show 31% of dominant share in India (Kim, 2015; Yang et al., 2015).

Considering the strategic importance in both market as production base, India has become one of the critical location for the future of

Xiaomi. The following sections investigate how Xiaomi expanded and adapted to local Indian markets.

3.2 Sources of Efficiency

The source of competitive advantage for the global expansion in relatively short period of



Source: IDC Asia Pacific Quarterly Mobile Phone Tracker 2014

(Figure 5) smart phone vendor share in India by 2014

time has been based on the efficiency of the company. Xiaomi, a company that was founded by 5 ex-employees has become the synonym of efficiency since its advance to the global electronics markets. As the latecomer in the global IT industry, Xiaomi has learned how to react to global pressure for efficiency from the experience of established MNEs by taking advantages of the scale, scope economy, and learning experience.

The cost efficiency and competitiveness based on price seem to be the most important sources for the global competency of Xiaomi. Compared to the global contenders, the prices of its product are as low as 50% and 60%. Xiaomi had released its first smart phone Mi1 at price of CNY 1,499 to CNY 1,889. The following models Mi2, Mi3 and Mi4 which had improved the design and capacity it price was set to CNY 1,999 based on 16GB device and with mostly identical features with the price of Mi1.

The efficiency of Xiaomi was stemming from its manufacturing strategy that limits the number of models. Xiaomi's prime cost ad-

vantage was obtained through secured foreign manufacturing network and exclusive distribution focusing on limited number of product models. Xiaomi's has established close relationship with Taiwanese manufacturing company, Foxconn and Invent tech. Relying on manufacturing side on these specialized companies, Xiaomi was able to focus on software development and dedicated its profit and management resource on new products and innovation. By concentrating to few models, Xiaomi was able to prevent encroachment of brands of its own. In addition, it was able to reduce the danger of assets specialization by outsourcing and this enabled Xiaomi to reduce primary costs as the technological innovation helped modulation of main parts of smart phones possible.

In India, Xiaomi had assimilated the prime strategy for efficiency by producing the limited number of models in the form of local outsourcing manufacturing. Xiaomi had started expanding in India by developing new factory and R&D complex. Foxconn agreed with the

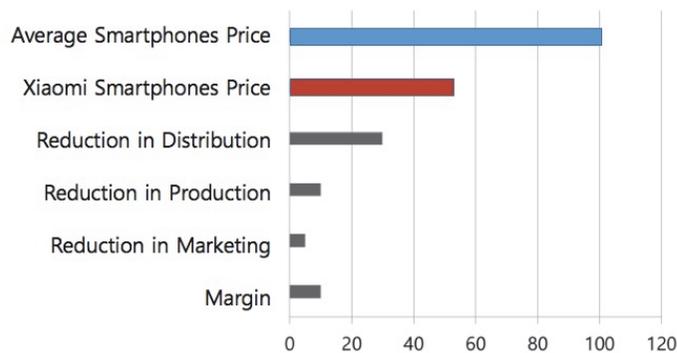
state government of Maharashtra to build local manufacturing facility by investing USD 4.87 billion. Xiaomi in India was able to take advantages with cost leadership as it assembled Hong Mi 2 Prime and Hong Mi Note Prime in this facility. Outsourcing by OEM and limited the number of products are not new in the smart phone industry but application this strategy for efficiency by means of offshore manufacturing was initiated by Xiaomi for the first time. The source of efficiency was not only based on manufacturing, but also on marketing side. While the most of global brands employed significant amount of resources on promotion with ever changing models, Xiaomi was able to minimized expenses with limited and long-lasting model lineups.

One of the obvious marketing strategies of Xiaomi is utilizing on-line marketing channels. At the time when Xiaomi has appeared, the market was already occupied by the global competitors like Apple and Samsung. As the startup company, Xiaomi experienced difficulty

to set up their own distribution networks. As a strategic reaction, Xiaomi attempted to reduce distribution and inventory management expenses by establishing on-line distribution network instead of heavily investing off-line networks.

In particular, with limited marketing resources, Xiaomi employed engagement marketing as a strategy which promotes products through the customers. By using the engagement marketing Xiaomi was able to maintain their relation stronger with the customers and also was able to increase their brand awareness to the public through the customers' social network activities.

Based on the significant reduction in distribution expenses, Xiaomi was able to increase price competitiveness. Figure 6 shows that through the on-line distribution network system it had reduced distribution costs down by 30%. This enabled Xiaomi to reduce smart phone's price and had increase price competitiveness.



Source: Kim and Seo, 2014

〈Figure 6〉 Price structure of Xiaomi smartphones compared to average brands.

3.3 Exclusive Products for Indian Market

Xiaomi started local production in India from 2014 and currently 75% of Xiaomi smart phones sold in India are locally manufactured. Xiaomi plans to build two more factories in India in the future especially plans to actively invest in building R&D centers, factories for terminals and data centers (Economic Times, 2016). Xiaomi built the R&D complex in India by investing USD 4.87 billion in cooperation with Foxconn, the world's largest manufacturer of electronic devices and developed and launched local models since then.

In 2015, Xiaomi released the first locally produced model "Redmi 2 Prime" from the local factory in India. The Redmi 2 Prime device was made in Foxconn's factory located in Sri City in the southern state of Andhra Pradesh in India. The factory was where Foxconn used to make Nokia mobile phones, and after Nokia stopped production, Xiaomi took over the plant. Priced at INR 6,999 (about USD110), the phone was a low-priced model sold through the Xiaomi web site. By complying to the "Make in India" initiative, Xiaomi was able to not only target the local market but also secure price competitiveness by cutting down the manufacturing cost by local production.

Subsequently, Xiaomi released the second model made in India, "Redmi Note Prime." Priced at INR 8,499 (about USD120), the phone's price was marginally higher than the previous Redmi 2 Prime model, but the price of the device was cut down from the lower

raw material cost by local production and was relatively affordable to price-sensitive Indian consumers.

Xiaomi participated in the USD 25 million investment project by Hungama, India's leading digital contents company. The investment is interpreted as Xiaomi's strategic investment to secure contents to expand smart phone sales in the Indian market. Moreover, it appears that, through the investment, Xiaomi plans to expand its business field by additional markets other than smart devices and contents sector in this major target market.

3.4 On-line to Off-line Marketing

Xiaomi continued its core marketing strategy when it expanded in India, it had similarly applied on-line distribution network that was used in China to India. Since 2014, Xiaomi has marketed its products through the on-line by making alliance with an Indian on-line shopping mall, Flipkart and later expanded to Amazon, Snapdeal and Paytm. Xiaomi bolstered their on-line distribution capabilities by establishing its international sale platform called Mi.com together with using social network. Nevertheless, Xiaomi could not carry on on-line sales and hunger marketing strategy as the company the company did in China and other markets. When Xiaomi was expanding to India, the electronic commerce at India was in early stage and it was only 2014 when Indian government had permitted B2C electronic commerce. Further, due to the fact that

India's smart phone market was concentrated on off-line sale, Xiaomi could not rely on viral marketing with low awareness.

As a strategic reaction to the difficult situation, Xiaomi started off-line marketing for the first time in the history of this company. Xiaomi has open off-line stores in Indian market to establish its sales network as the company recognized limitations of on-line sale method in India and was constraint for the market growth. Also the company found that most of the smart phones were sold at the shops on the street as Indian consumers prefers to cash transactions. In 2015, Manu Kuma Jain, the CEO of Xiaomi India had publicized that now customers are able to buy Xiaomi smart phone at the mobile store in Delhi and their initiation of off-line sale has begun. Xiaomi has operated supply management strategy by forming alliance with Indian supply company, the Mobile Shop. This network had 800 stores over the India and Hong Mi Note 4G and Mi4 were distributed via this network. Xiaomi also made alliance with telecommunication company, Airtel. Airtel, India's biggest mobile carrier, begins to merchandise Xiaomi's 'Hong Mi Note 4G' through its stores in 6 main cities including Delhi, Mumbai. In particular, Xiaomi also had started print advertising at the 6 different Indian newspapers including the Times of India in 2015.

As a reaction to this local difference, Xiaomi had to alter the strategy to off-line marketing in India and this attempts in India is considered as localization efforts which are differ-

entiated from what Xiaomi has deployed previously as core marketing strategy.

3.5 Reaction to the Political Inducement

The localization strategies of Xiaomi in India have been significantly affected by the government policies. The Indian government under the Narendra Modi's leadership has pursued "the development of domestic economy" and "big bang economic reforms" right from the onset of his regime since 2014. One of the distinctive policies particularly affecting multinational corporations is 'Make in India' initiatives. Indian government were looking for solutions to produce more jobs by supporting manufacture and to reduce dependency on the expensive products of China. So the government had made amendment at customs regulation to promote foreign companies to manufacture in India.

Regarding the oversupply of Chinese products, in particular, the Indian government instituted anti-dumping tariffs and emergency safeguard measures to limit imports from China. In the 2015-16 budget, the government raised the consumption tax rate from 6% to 12.5% on imported mobile phones but applied 1% tax rate on products assembled in India. Under the Indian policies aiming to build manufacturing factories of the world through the campaign, the government tried to induce Chinese companies to invest locally aiming to increase the ratio of domestic manufacturing from current 15% of GDP, to 25%.

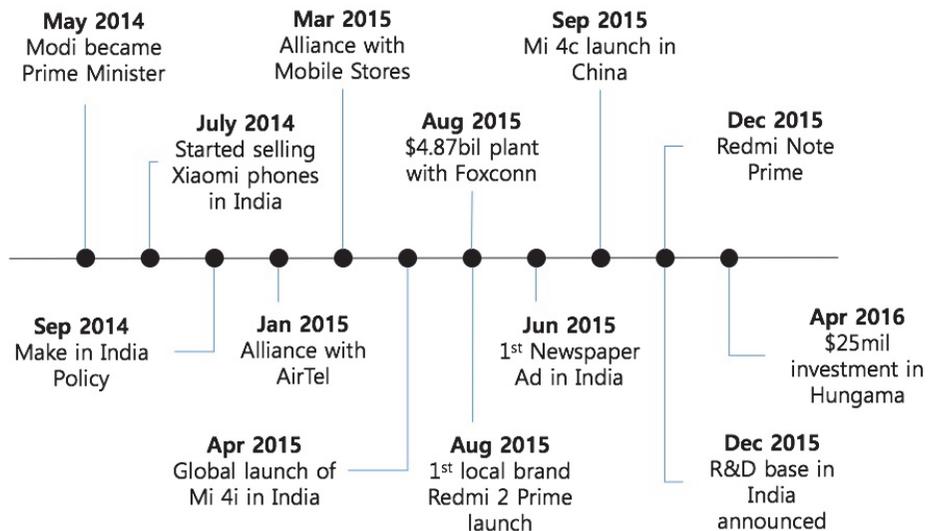
The Indian government also has initiated “Digital India,” that aimed to a goal of achieving digital infrastructure for the foundation of further growth. This policy explicitly aimed to achieve a smart phone in the hands of every citizen, the Internet connection in every home, electronic system for all monetary transactions, as well as integrated systems between government institutions and cloud computing services helping expand the market for over-all communication infrastructure.

Xiaomi effectively counteracted the policy. As Sri City in the state of Andhra Pradesh offered various incentives to investment companies, with the presence of skilled labor, Xiaomi began to produce smart phones locally in accordance to the Indian government policies. In addition, as replying to the Digital India policy, Xiaomi targeted India’s fast-growing e-commerce market by selling Xiaomi phones

at the lower prices in the e-commerce market than the price Xiaomi had maintained as soon as the regulations on the e-commerce were loosen in 2014.

3.6 Approaches for Glocalization

Xiaomi in rising smart phone market of India has operated both cost leadership strategy and strategy that considered differences of Indian market by means of localization. The localization strategy operated by Xiaomi can be separated in two Xiaomi’s respond to the Indian policy and marketing strategy with is important on smart phone sale. As mentioned above, Xiaomi at same time had used global strategy that support efficiency obtained from the learning experience, economy scale and scope through the current global integration pressure and also had expand in India, and



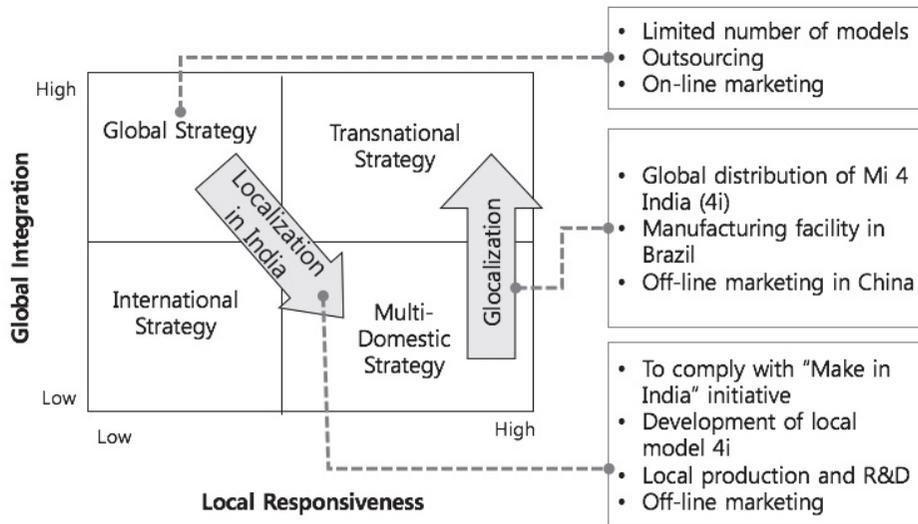
<Figure 7> Early stages of entry to the Indian smartphone market

had respond on Indian government’s policy showing that Xiaomi deployed localization strategy to fit on Indian market and to secure their occupancy.

The obvious difference of localization efforts of Xiaomi in India is that Xiaomi had applied products, innovation, and learnings acquired during the localization efforts in India back to China and to the other countries. So this particularity may be interpreted as seeking global strategy for efficiency beyond the localization strategy for flexibility. Localization efforts were also applied to the global distribution of its products. After Xiaomi had released their new phone 4i so called Mi for India which was made to respond on the Indian customers’ need in India and few south east Asian counties, this localized phone was marketed in Chinese smart phone market and

distributed globally after that. This instance showed Xiaomi’s approach to glocalization strategy that applying its localization effort to pursue efficiency simultaneously as the global distribution of localized model provided opportunity to dismantle the R&D cost.

Strategic outsourcing in search of efficiency has been primary approach in China but Xiaomi had to alter strategic direction in India to comply with ‘Make in India’ initiative by producing its product locally and this provide the company to learn flexible manufacturing and efficiency in overall supply chains. This critical learning experience was not stayed in India but applied to manufacturing facility in Brazil. In addition, as one of the localization strategy in India to respond on characteristics of Indian consumers who likes to purchase phones at off-line, Xiaomi started off-line



Source: Framework from Bartlett and Ghoshal (1989) and edited by Author

〈Figure 8〉 Evolving mentality of Xiaomi in India to Transnationality

marketing for the first time. This experience also was applied to Chinese market directing overall off-line marketing strategy in China based on its learning learned in India. These instances may be considered as evidences that Xiaomi transformed its multinational strategy in India to transnational strategy.

IV. Discussions and Implications

4.1 Summary and Discussions

Based on case analysis, this study found the following points as summary for the further development on this subject. Firstly, Xiaomi flexibly changed the course of its signature strategy to suit to the local Indian market reflecting local differences. Despite localization efforts seem opposite strategic direction considering the source of the competitiveness of Xiaomi stems from efficiency and price competitiveness, there were clear evidences of localization. It had employed localization strategy to respond on Indian government's policy. Under the 'make in India' policy, it complied by local manufacturing and had accelerate the market expansion and has attract investment of Indian content company Hungama. It also had operated off-line sales by recognizing the limit of Indian on-line market and has made first print advertising in Indian market.

Secondly, Xiaomi, nevertheless, has not sac-

rificed its core strategy while localization in Indian market was obvious. Together with localization strategy which are adequate at local Indian market, global strategy that focus on efficiency through the current global pressure for integration was also observed. Xiaomi's primary competitive advantage has been price and cost leadership at the acceptable quality. This strategy has been embodied by outsourcing and focusing on limited number of models with long product life cycle. This was also obvious in the area of marketing as Xiaomi had absorbed customers with price sensitivity and attempted to generate profit from softwares and services.

Thirdly, a few instances indicated the transition to transnational strategy of Xiaomi in Indian beyond localization efforts and global strategy for efficiencies. Xiaomi attempted to realize transnationality by utilizing its localization efforts to acquire efficiency by multiplying the strategy to other locations including China. Xiaomi's primary competitive source has been stemming from cost leadership and efficiency but for the first time Xiaomi in India attempted produce locally and deployed off-line marketing. Its localization efforts did not stagnated in India but applied to product strategy by shipping local model such as 4i to other global markets including home market.

This study argues that Xiaomi's localization, efficiency seeking strategy together with globalization efforts are rather involuntary and benefited by the inheriant traits of Xiaomi in Inida as emerging MNE to emerging market.

From the theoretical perspectives, this study suggested 4 propositions based on the previous literature. Firstly, proposition 1 indicated Xiaomi would seek alliances to establish collaborative partnerships that could provide advantageous position and accelerate expansion patterns. Mathews (2006) suggested LLL-framework to compare OLI paradigm to explain the overseas expansion of emerging MNEs that their limitations in resources would agitate alliances to secure strategic assets and this conversely help them leverage network capacity and learning effect that would accelerate expansion patterns. In the case of Xiaomi in India showed clear evidences as this company allied with multiple companies such as Foxconn, Hungama, Flipkart, Amazon, Snapdeal, Paytm, the Mobile shop, Airtel in cross sectional operations.

Secondly, the proposition 2 regarding emerging MNEs were to a certain extent confirmed implying the home-grown competitive advantages of emerging MNEs may readily applicable to other emerging or developing countries. The experience of Xiaomi in the home market and its competency acquired in China seems best exploited in Indian market. Emerging MNEs tend to balance their overseas expansion in both developed and developing countries to acquire proprietary resources and increase the market size and profits. In the later instance, emerging MNEs are considered as a 'local optimizer' compared to established MNEs in the emerging markets (Ramamurti and Singh, 2009). Immediate transition to local mass pro-

duction in cooperation with Foxconn in 2014, and low-cost driven marketing campaign in India showed Xiaomi's home grown capabilities swiftly applied and exploited in India.

Thirdly, regarding the proposition 3, that stated the institutional entrepreneurial ability of Xiaomi would be better than established MNEs in India as emerging MNEs are benefited by its political capabilities developed under discretionary political regime with weak institutional environment in particular, that prepares them better in other emerging countries with similar circumstances. Caves (1996) mentioned as 'institutional entrepreneurial ability' and the case of Xiaomi in India also approves this argument. Emerging MNEs used to deal with discretionary regime and weak institutional environment for business at home country (Cuervo-Cazurra, 2012; Hermelo and Vassolo, 2010). Their experiences under heavily regulated political pressure increased adaptable capabilities of emerging MNEs and this empowers them to enhance their performance better in similar political environment and under the less political pressures (Garcia-Canal and Guillén, 2008). Xiaomi's local production decision in India seems significantly affected by the government policies such as Make in India and Digital India. Locational decision in the state of Andhra Pradesh also seems affected by political inducement.

Lastly, the proposition 4 states that localization efforts would not compensate the efficiency as it would attempt the benefit of global scope, configuration, and co-ordination with

local responsiveness. the case of Xiaomi in India showed evidences as it applied indigenous model back to China and the experience of local responsiveness in India to Brazil for production and to China for off-line marketing.

4.2 Policy Implications

This case study endows some policy implications. Firstly, localization efforts are necessary for even firms with highly standardized products and homogeneous strategies. Political initiatives in India agitated Xiaomi to produce smart phones locally. Whether it is caused by active or passive motives, local difference and specific conditions should be seriously considered as critical environmental factors and firms must adapt themselves to this differences. If Xiaomi denied this and insisted its global strategy and on-line marketing, the company must have experienced serious difficulties or complete failure in the Indian market.

Secondly, firms in the emerging market should be prepared to alter the strategic direction contingently as business condition changes. The successful adaptation of Xiaomi in Indian market may be stemming from its contingent and continuous transformation of local strategy. Its original and signature strategies that were successful in home market and other global markets were quickly corrected and transformed to locally applicable strategies in India. Instant transit from on-line to off-line marketing showed swift and flexible adaptation of strategy to suit to local conditions.

Thirdly, beyond localization reflecting the local differences, appropriate combination with global strategy not to compromise efficiency should be pursued simultaneously. The case of Xiaomi shows that whether it is voluntary or involuntary, successful localization has to be accompanied by preserving efficiency gains for both costs and price competitiveness. In usual instance, localization incurs costs and erodes efficiency and price competitiveness. Xiaomi's localization efforts were verified by sustained price competitiveness by pursuing the benefits of global integration and local responsiveness and further application of local innovation back to domestic market in China and other global markets simultaneously.

Lastly, this case may teach us that transnational strategy is to a certain extent, verified as particular strategy overcoming the limitations of emerging MNEs. Emerging MNEs like Xiaomi naturally inherit limitations in critical resources, global network and experiences compared to established MNEs (Lecraw, 1977; Lall, 1983). Xiaomi gained efficiency through global and multinational strategies at the same time in India to meet the different local needs same as other established MNEs but by reusing indigenous innovation and knowledge acquired locally, it has overcome inherited limitations as the emerging multinational. In particular, this strategy derived from the necessity seems to have properly executed in India as the emerging smart phone market that provided similar production and marketing condition to China that has

been emerging market in its nature and comfortable cradle for Xiaomi.

V. Conclusion

This study closely examined strategies and experience of Xiaomi entering Indian smart phone market to investigate the instance of emerging multinational entering and operating an emerging and fast growing markets.

The findings of this study show firstly that Xiaomi aimed to deploy global strategy which seeks efficiency to produce highly standardized quality product with low price in India same as home market. However, political and cultural differences in India agitated Xiaomi to deploy in-depth localization strategy both in production and marketing. In addition, Xiaomi, by pursuing transnational strategy has been able to reuse innovation and knowledge acquired in the local market to gain further efficiency globally and this provided capability to overcome the limitations of an emerging MNEs.

From the theoretical perspectives concerning the strategies of emerging MNEs expanding to emerging markets, this study found that the case of Xiaomi in India is confirming previous theories by proving propositions regarding alliance, local optimization, institutional entrepreneurial ability, and glocalization theses. This case also implies strategic direction for the future of emerging MNEs in

emerging markets as Xiaomi creatively achieved efficiency by utilizing knowledge acquired in the course of transnational strategy.

Though this particular study provides theoretical and managerial contributions to the relating fields, it has limitations as a single case to generalize findings of this study to the area of emerging MNEs in emerging markets. Therefore, it is necessary to examine further cases of emerging MNEs together with empirical examination on this subject in the subsequent studies.

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신흥 다국적기업의 신흥 시장 진출: 샤오미의 인도 스마트폰 진출 사례 연구

현재훈*

요 약

본 연구는 점차적으로 확대되는 신흥 시장에 대한 신흥 다국적기업의 변화하는 전략적 면모를 샤오미의 인도 시장 진입 사례를 통해 살펴보았다. 신흥 다국적기업의 경우, 부족한 자원과 경험, 역량에도 불구하고 선진 다국적기업과 유사한 배경과 동기를 갖고 신흥 시장에 진출하는가 그리고 전략적 차이점은 무엇인가를 연구 주제로 샤오미의 사례를 분석한 결과, 인도시장에서 선진 다국적기업과 유사한 전략적 특성으로, 현지 환경에 적응하는 과정에서 상황에 적합한 현지화 전략을 구사하고 있음을 알 수 있었다. 그러나 현격한 차이점은 인도에서의 현지화 과정에서 획득한 전략적 자산과 경험을 글로벌 전략으로 확대 적용한데 있다. 이는 유연성과 효율성을 동시에 달성하기 위해 현지화와 글로벌 통합을 동시에 추구하는 초국적 전략의 사례로, 신흥다국적기업의 인적자원, 물리적 네트워크, 재무적 역량 등 주요한 자원의 제한으로 인해 발생하는 전략적 열위를 극복해 가는데 유용한 방향임을 알 수 있었다. 또한 신흥시장의 특성이 신흥다국적기업의 태생인 본국시장의 경제적, 정치적 환경과 유사하므로 글로벌화 과정에서 전략을 수립하고 실행하기에 오히려 유리한 환경이 될 수 있을 것이라는 가정이 샤오미의 사례를 통해 일부 확인되었다는 점과 신흥다국적기업에 있어 초국적 전략의 유용성을 발견하였다는 점에서 이론적 실무적 시사점을 제시하고 있다.

주제어: 샤오미, 인도, 다국적기업, 신흥 시장, 신흥 다국적기업, 글로벌화, 현지화, 초국적 전략

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